

OFFICIAL FILE

PREPARED DIRECT TESTIMONY OF L. S. LETNER
ON BEHALF OF EQUILON PIPELINE COMPANY LLC
DOCKET NOS. 00-0462 & 00-0582

IN RE: C. C. DOCKET NO. 00-0462 + 00-0582
EPC EXHIBIT No. 1.0
Date 5/4/01 Reporter [Signature]

Q1. State your name, position and business address.

A1. My name is L.S. Letner and I am employed by Equilon Pipeline Company LLC as the Business Development Manager. My business address is 777 Walker Street, Houston, Texas 77002.

Q2. How long have you served in this capacity with Equilon Pipeline Company LLC?

A2. I have served in my current position for thirteen months, and for two and one-half years in similar capacity. I have a combined twenty years of pipeline experience in the Shell and Equilon organizations.

Q3. Please describe your current duties in this position.

A3. My current duties include assisting in the development and negotiation of commercial opportunities including optimization or divestiture of existing assets, construction or acquisition of new facilities.

Q4. Have you testified before?

A4. No.

Q5. Please summarize your educational and professional experience.

A5. I was awarded a Bachelor of Science degree in Mechanical Engineering from Iowa State University in 1981. Since joining Shell Pipe Line, in June 1981, I have held various technical, health, safety, and environmental and commercial positions as individual contributor and manager.

Q6. What is the purpose of your testimony in this proceeding?

A6. I will explain the basis for Equilon's request to discontinue service over the pipeline facilities identified in the petitions that initiated these consolidated dockets.

Q7. Is Equilon Pipeline Company LLC authorized to do business in the State of Illinois?

A7. Equilon Pipeline Company LLC ("Equilon") is a limited liability company organized under the laws of the State of Delaware, and is authorized to do business in Illinois. Pursuant to a Certificate of Good Standing issued by the Illinois Commerce Commission in docket 98-0248, Equilon is certificated under the Common Carrier Line Law to operate as a common carrier pipeline for transportation and storage of crude oil and related products between points within the State of Illinois.

Q8. Are you familiar with the activities of the Company in Illinois?

A8. Yes.

Q9. Please describe the pipelines for which Equilon is seeking authorization from the Commission in this proceeding to discontinue service?

A9. The Petition includes the following crude oil assets:

In the Salem (Marion County) area, known as Salem Gathering System:

- Brooks Unit to Salem Station 4" pipeline
- Woodlawn to Salem 6" pipeline
- Salem Station
- Tate Unit to Salem Station
- Tonti Gathering

From approximately Salem to Clay City (Clay County)

48 ○ Salem to Clay City 8" Pipeline

49 ○ Bridgeport Junction 6" Pipeline

50
51 From approximately Clay City to Lawrenceville (Lawrence County)

52 ○ Clay City to Lawrenceville 10" Pipeline

53 The Salem Gathering System and Salem to Clay City 8" Pipeline are intrastate. The Clay
54 City to Lawrenceville 10" Pipeline is interstate in that all volumes are transshipped to an
55 interstate pipeline (Lawrenceville, Illinois to Mt Vernon, Indiana 6" Pipeline) without
56 "coming to rest".

57 **Q10. What product is transported over these pipelines?**

58 A10. Crude oil produced in Illinois.

59 **Q11. Do you know when the last movement of product was through the pipeline?**

60 A11. The assets described are currently active, except for the Tonti pipeline that has been idled
61 since June 2000.

62 **Q12. How much oil is Equilon moving on these facilities currently?**

63 A12. Currently, Equilon is moving 1800 barrels per day ("bpd") of production oil originating
64 from the Salem Gathering System (Brooks and Tate Units) and 1200 bpd from Clay City to
65 destination at Countrymark Cooperative's Mt Vernon, Indiana refinery. In the past, the
66 Illinois gathering system moved an average of 5 to 6 thousand bpd.

67 **Q13. When and why does Equilon wish to cease operation of these pipeline assets?**

68 A13. Equilon wishes to cease operation on April 1, 2001, because reduced demand for pipeline
69 transportation in the Illinois basin and increased expenses for integrity testing and
70 maintenance of low volume crude pipelines have rendered continued operation

71 uneconomical. In 2000, these facilities operated at a loss, and volume in the future is due to
72 decline dramatically. The remaining volume of oil production that will continue to be
73 connected to the System is too small and too isolated from Equilon's operations to be
74 transported by pipeline at a cost competitive with trucking the product.

75 **Q14. Please explain the decline in volumes of petroleum products shipped on Equilon's**
76 **facilities.**

77 A14. Equilon's Illinois gathering system can only deliver petroleum products to two destinations.
78 Those two destinations are the Marathon Refinery in Robinson, Illinois and the
79 Countrymark Refinery in Mount Vernon, Indiana. Marathon no longer takes Illinois Basin
80 crude because of its high metal content. The sole remaining shipper, Countrymark, has
81 recently acquired its own pipeline facilities, which extend from Clay City Station to its
82 terminal at the Countrymark refinery in Mt. Vernon, Indiana. Countrymark's recently
83 acquired pipeline assets will enable Countrymark to by-pass Equilon's facilities and thereby
84 eliminate all volumes on the Clay City to Lawrenceville 10" pipeline. In addition, volumes
85 have been lost as a result of product being trucked to other refinery destinations not
86 accessible from Equilon facilities.

87 **Q15. How will the declines in volume that you have described impact the cost-effectiveness of**
88 **shipping the product by pipeline versus truck?**

89 A15. Although pipeline transportation of liquids is usually cheaper, safer and more reliable than
90 trucking, demand levels have fallen off in recent years making trucking a more cost-
91 effective choice for transportation of production wells previously served by Equilon's
92 pipeline. Three quarters of Equilon's Illinois gathering system will be completely without

93 volume once the recently acquired pipeline facilities of the sole remaining shipper become
94 fully operational. It is estimated that the cost of transporting on the remaining piece from
95 Salem to Clay City would increase to \$2.25 per barrel, which is triple the current cost to ship
96 those barrels a substantially further distance to the Mt. Vernon refinery. The comparable
97 cost of trucking for a trip from Salem to Clay City would run less than \$1.00 per barrel.

98 **Q16. Does the Company anticipate any additional requests for movement of product through**
99 **the pipeline?**

100 A16. No.

101 **Q17. In your opinion, will the public in the State of Illinois be inconvenienced or deprived of**
102 **necessary transportation facilities by the discontinuance of the operation of this**
103 **pipeline by Equilon?**

104 A17. No.

105 **Q18. Will the Company continue to operate other facilities pursuant to the certificates issued**
106 **in docket 98-0248 or other proceedings in the State of Illinois?**

107 A18. Yes

108 **Q19. Would you please identify those facilities?**

109 A19. Those facilities that Equilon will continue to operate include: Ozark, Woodpat interest,
110 Patoka tankage and manifold, Lockport tankage and manifold, idle Patoka to Lawrenceville
111 12", North line, East line, idle East line, interest in Explorer, Robinson to Indiana State line
112 10" products pipeline and miscellaneous lines in the Wood River area.

113 **Q20. Does the Company wish that it's certification remain in effect as to those facilities?**

114 A20. Yes.

115 **Q21. Do you anticipate ever reopening any portion of the pipelines that are the subject of**
116 **these Petitions?**

117 A21. Not at this time

118 **Q22. Will the pipeline be sold or remain in place?**

119 A22. Equilon is negotiating with a third party for the sale of its Salem Gathering and Salem to
120 Clay City 8" pipeline assets. It is the third party's intent to continue to operate the assets to
121 transport petroleum to the Countrymark refinery in Mt. Vernon. Those assets not sold will
122 be idled with all hydrocarbons evacuated using water and then evacuated of water using
123 nitrogen in accord with Equilon abandonment procedures and all applicable state and
124 federal regulatory requirements.

125 **Q23. Does this conclude your prepared direct testimony?**

126 A23. Yes, it does.